



Testimony of AARP
Before the Energy and Technology Committee
On SB 839, HB 6360, SB 1037, SB 1035 and SB 5590
March 7, 2013

I. Introduction

AARP submits the following testimony stating our position on several of the bills before the Committee for hearing today. AARP is a nonpartisan, nonprofit social welfare organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP is an advocate nationwide for the rights of people aged 50 and older. A substantial percentage of AARP's members live on fixed or limited incomes. A major priority for AARP is to protect consumers from utility expenses that may endanger their health and financial security.

Oppose S.B. 839

AARP has grave concerns with S.B. 839 which would require the Public Utility Regulatory Authority (PURA) to make decisions, including rate decisions, guided by the Comprehensive Energy Strategy (CES) the Integrated Resources Plan, the Conservation Load Management Plan and policies established by the Department of Energy and Environmental Protection, notwithstanding any other provision of law to the contrary. This amendment would have the effect of letting the CES, IRP and other regulatory plans override policy adopted by the General Assembly. Current law does direct PURA to be guided by these plans, but does not include the "notwithstanding" language, which has the effect of allowing PURA to ignore state law. It is our understanding that the CES is a series of recommendations for a state energy plan, some of which can be implemented by PURA and some of which require adoption through the legislative process. AARP opposes any implication that the CES or any other plan, policy or decision of PURA or DEEP could override legislative direction on any energy or transportation topic. **This provision is also included in S.B. 1037.**

Opposed to provisions of H.B. 6360

H. B. 6360 is a bill for implementation of some provisions of the CES. AARP continues to oppose several provisions of the CES, which have not been adequately studied or pose risks to affordable home energy for consumers. **See our comments on the CES which are attached.**

AARP Opposes Section 1 (b) requiring full revenue decoupling for both gas and electric distribution utilities. Decoupling is a risk to consumers. The PURA should be allowed to use its discretion, based on evidence, in approving decoupling as currently permitted under the law. Full revenue decoupling is just one type of decoupling. Decoupling is a much clearer benefit to utilities than to consumers, as decoupling provides revenue protection to the utility, regardless of the reason for lower sales. Thus, there is no direct link between giving a utility a so-called “incentive” to offer energy efficiency, and decoupling, which compensates for any and every lost sale. Further, adoption of revenue decoupling is not a necessary nor sufficient condition to increase energy efficiency, as is evidenced by the other proposals in the draft CES. Decoupling could also weaken the incentive for consumers to save energy, as consumers who decrease their usage do not necessarily see a corresponding decrease in their bills when decoupling adjustments are included. PURA should not be limited to full revenue decoupling. Other states have adopted other forms of decoupling and/or limited the rate impact of decoupling by adopting a cap on rate increases. PURA would be prohibited from adopting consumer protections on decoupling if this provision becomes law.

AARP opposes mandatory time-variant rates for residential customers. The draft CES recommended mandatory time-variant or “time-of-use” (TOU) pricing for CL&P and promotion of time of using pricing for UI. Although not currently included in this bill, AARP would like to be on the record with the General Assembly opposing this recommendation.

AARP agrees that utilities should be encouraged to offer a variety of rate options, after those options have been evaluated and determined to be cost effective and beneficial to customers with a wide range of usage profiles. Then it is the customer’s decision whether a time-varying rate is preferable. Utilities should not be allowed to justify the cost of installing smart meters on the assumption that mandatory time-based pricing, such as TOU or Critical Peak Pricing (CPP) will result in future savings in generation costs. Any alternative to the current rate structure should be voluntarily selected by the residential customer.

There can be no denying that time-based rates will produce “winners” and “losers.” However, the draft CES does not provide assumptions and analyses of the costs and benefits underlying this recommendation. There is no analysis of the experience with mandatory TOU rates in other jurisdictions and/or an analysis of the costs and benefits of mandatory TOU versus voluntary TOU. Those who argue that mandatory time-based rates are beneficial for most customers rely on a small number of short term pilot programs composed of volunteers. Customers who have already invested in energy efficiency, who already use minimal amounts of energy and those who rely on affordable electricity for health and safety will be losers under a mandatory TOU scheme. Further, they are for the most part not the customers who can make a difference in peak load through reductions in usage.

This is why major national consumer advocacy organizations including AARP, the National Association of State Utility Consumer Advocates (NASUCA), and the National Consumer Law Center (NCLC) have adopted policies that oppose mandatory or opt-out dynamic pricing.

An alternative to the mandatory “stick” approach of TOU rates would be to provide a “carrot” in the form of rebates or credits for allowing the utility to control key heating and cooling systems during critical peak periods. This is usually referred to as a “Peak Time Rebate”. Those most able to shift usage will do so voluntarily, while those who need affordable energy to maintain safe temperatures, run medical equipment and other essential needs will not be penalized. A voluntary approach which rewards positive action (rather than punishing) is more likely to build public support and acceptance.

AARP opposes “auctioning” Standard Offer plan customers. Finally, the CES also recommends an “auction” of Standard Offer customers to competitive suppliers without their affirmative consent. AARP has testified in opposition to this proposal in Senate Finance. A copy of our testimony opposing Section 19 of S.B. 843 is attached.

Oppose S.B. 1037

This bill contains the same language as SB 839, which allows policies developed by DEEP to trump state law. State law should not be overridden by regulatory action.

Support S.B. 1035

AARP supports a study to determine whether the regulation of water utilities should be moved to PURA. Although water utilities do face unique issues, many of the ratemaking principles are the same as with electric and gas utilities.

Support H.B. 5590

AARP supports timely refunds of deposits.

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Comments of AARP
2012 Draft Comprehensive Energy Plan for Connecticut
December 14, 2012

II. Introduction

AARP submits the following comments on the *2012 Comprehensive Energy Strategy for Connecticut Draft for Public Comment* ("CES"). AARP is a nonpartisan, nonprofit social welfare organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP is an advocate nationwide for the rights of people aged 50 and older. A substantial percentage of AARP's members live on fixed or limited incomes. A major priority for AARP is to protect consumers from utility expenses that may endanger their health and financial security.

The draft CES discusses issues and strategies in five major sectors - Efficiency, Industry, Electricity, Natural Gas and Transportation. AARP commends DEEP for initiating this comprehensive review of policies and practices that are affecting energy use in Connecticut, and the costs and environmental impacts associated with that energy use.

The draft CES makes approximately 50 recommendations. Implementation of these recommendations will have significant implications for all Connecticut ratepayers, including AARP members, in terms of the cost of home energy, additional or increased fees and charges, and changes in the design of charges for electricity, natural gas and fuel oil. Whether each of these recommendations will have a positive, or a negative, implication will depend on the substantive details of their implementation. However, the draft CES does not include substantive details on most recommendations; instead most of the recommendations are general and high-level.

The draft CES acknowledges that it identifies a high-level strategy for Connecticut. Implementation of the policy proposals made under this strategy, and each of the 50 recommendations, will require a myriad of further actions in other forums, including before the Legislature and in proceedings at the Department of Energy and Environmental Protection (DEEP) and the Public Utilities Regulatory Authority (PURA). However, the draft CES does not provide a comprehensive list of which recommendations should be addressed in which forums, nor does it propose a timeline and/or prioritization for actions on each of the recommendations.

AARP submits these comments with the intent of providing constructive input to the finalization of the CES, but is constrained by the generality of the recommendations in the draft CES and limited staff resources. Therefore AARP is providing the following high-level comments on the draft CES. AARP looks forward to the opportunity of providing more detailed comments on specific recommendations when they are presented for consideration in future appropriate forums.

III. The 50-plus Population and Energy Costs

Stable rates and service are essential for older and low income people's health and wellbeing. People living on low or fixed incomes are particularly vulnerable to high utility costs and are often forced to reduce expenditures on other basic needs, including food and medicine, or to cut back on usage of heating and cooling beyond safe levels if they cannot afford their utility bills. Older people are less able to maintain their internal body temperature and disproportionately suffer from certain medical conditions that make them especially sensitive

to temperature extremes, such as diabetes, lung disease, and heart disease. High or unpredictable utility costs also threaten the ability of older people to continue to live independently.

A 2011 survey of Connecticut residents aged 50 and older sponsored by AARP found that 8 in 10 older residents are concerned about rising electricity costs, and 68% do not believe that Connecticut officials are doing enough to lower electric bills. The CES is an opportunity to address these concerns, but it can only do so through careful analysis of the financial impact on ratepayers of each policy proposal.

General Comments

The introduction of the CES states “at the heart of the Draft Strategy are a series of policy proposals aimed at expanding energy choices, lowering utility bills for Connecticut residents and businesses, improving environmental conditions, creating clean energy jobs, and enhancing the quality of life in the state.” These goals have also been summarized as, “cheaper, cleaner, more reliable.” While these are important goals, the CES does not specify exactly how the goals will be achieved. The CES recommends approximately 50 initiatives that should be considered. However it does not present an estimate of the extent to which each of the three goals would be achieved if a comprehensive set of specific representative initiatives were implemented, nor does it estimate the total costs and total benefits that would be associated with that comprehensive set of initiatives. Without this “big picture” it may be difficult for the public to understand the total benefits of the new initiatives and the total costs of achieving them. AARP recommends that the final CES include:

- a specific set of proposed steps for implementation of each policy proposal;
- an economic analysis to evaluate the cost to ratepayers of each policy proposal, and of all the proposals in total; and
- proposed metrics to measure, quantitatively, progress towards achieving each key policy proposal relative to what otherwise would occur under a continuation of current policies.

AARP also recommends that the final CES should include a comprehensive list of which recommendations should be addressed in which forums, a proposed timeline and/or prioritization for actions on each of the recommendations, and an economic analysis of the costs to ratepayers of each proposal and the plan in the aggregate. This information will enable parties such as AARP the opportunity to provide detailed comments on specific recommendations when they are presented for consideration in these future forums.

Finally, the draft CES states (page 89) that DEEP is preparing a study, separate from the draft CES but on the same timeline, of options for meeting the state’s renewable portfolio standard more cost effectively. This study flows from the IRP and may have significant electricity cost implications. AARP requests the opportunity to participate in any public review of drafts.

IV. Comment on Energy Efficiency Sector Strategy

The draft CES is recommending significant increases in funding and changes in program design for efficiency programs in order to reach more Connecticut residents and to enable program participants to achieve greater savings.

Increased funding for electricity and natural gas efficiency programs. The draft CES recommends (Recommendation 1) doubling the annual funding for existing electric and gas efficiency programs on a long-term basis. In fact, DEEP is already pursuing this recommendation through Docket 12-08-11, in which PURA is considering a request to increase funding for electric and gas efficiency programs through creation of a Conservation Adjustment Mechanism (“CAM”) of \$0.00373/kWh. The CAM would essentially be a surcharge on electricity rates in addition to the existing \$0.003/kWh charge. If PURA approves a CAM, DEEP would not have to seek General Assembly approval to increase the existing legislatively approved efficiency charge from \$0.003/kWh to \$0.00673/kWh.

New funding for heating oil efficiency programs. Recommendation 1 would also include establishment of a new surcharge on fuel oil to fund fuel oil efficiency programs. The draft CES recommends that the General Assembly approve establishment of this new surcharge.

Changes to efficiency programs. The draft CES recommends numerous changes to the design and marketing of efficiency programs. These recommendations include development of new financing programs for residential customers (Recommendation 3) and revenue decoupling (Recommendation 10).

AARP comment on increased funding—The draft CES recommends improving the design of efficiency programs in order to reach more Connecticut residents. However, these proposals raise rates, add new or increased surcharges, and/or pose other risks to ratepayers. Approval of the proposed increase in funding for energy efficiency programs for 2013 onward, and the proposed surcharge on fuel oil, should not be made absent an evaluation of the costs to ratepayers. It is essential that a reasonable portion of these expanded programs be designed to address the special circumstances of, and barriers faced by Connecticut residents on low and fixed income. Approval of the proposed increase in funding for energy efficiency programs for 2013 onward, and the proposed surcharge on fuel oil, should also be contingent on a demonstration that these programs will be designed to meet the needs of “hard to reach” segments such as low income, seniors and those whose health conditions require them to use electricity can participate and benefit. (This may require surveys of ratepayers in those segments and/or collection of data on programs that have worked well for those segments in other states).

AARP comment on “on-bill-financing”—AARP does not support Recommendation 3, which would implement “on-bill-financing” or OBF. The draft CES itself highlights our key concern:

“To be attractive to lenders such an on-bill-financing program must have enforcement mechanisms that lower lenders’ risks enough to be able to get lower-cost capital so as to provide lower interest rates and longer term loan repayment periods.” (page 30)

The “enforcement mechanism” referenced is the ability to disconnect service. Many Connecticut households struggle to pay their utility bills, and too many already face disconnection of service. While the same households could benefit from energy efficiency measures, they should not be subjected to new debt, and a greater risk of losing essential service. The hammer of disconnection is an unacceptable short cut for lenders and program designers who should instead ensure that any OBF program enhances the customer’s ability to afford utility bills and is marketed only to those for whom it is appropriate.

In addition to our opposition to using disconnection of essential service as a loan collection tool, AARP questions moving forward with OBF for residential customers based on little to no information about how the program would operate in practice. Unanswered questions include:

- What is the ratepayer’s ability to assume the risk that the financed energy efficiency measures will not achieve expected savings?
- Do loan payments consider household size and income?
- What is the ability of subsequent owners and tenants to assume the loan repayment attached to the meter? How is the household size and income of subsequent tenants or owners considered? What notice is given future residents of the loan attached to the meter?
- Only a handful of OBF programs have been implemented for residential customers, primarily at electric cooperatives. What is the track record of OBF for residential customers across a variety of income categories?

AARP comment on decoupling—AARP does not support Recommendation 10 (nor Recommendation 3 in the Electricity Sector Chapter) instructing PURA to implement full, permanent “decoupling” for UI and CL&P. Decoupling is a risk to consumers. The PURA should be allowed to use its discretion, based on evidence, in approving decoupling as permitted under the law. Decoupling is a much clearer benefit to utilities than to consumers, as decoupling provides revenue protection to the utility, regardless of the reason for lower sales.

Thus, there is no direct link between giving a utility a so-called “incentive” to offer energy efficiency, and decoupling, which compensates for any and every lost sale. Further, adoption of revenue decoupling is not a necessary nor sufficient condition to increase energy efficiency, as is evidenced by the other proposals in the draft CES. Decoupling could also weaken the incentive for consumers to save energy, as consumers who decrease their usage do not necessarily see a corresponding decrease in their bills when decoupling adjustments are included.

AARP does support the recommendation to remove an increase in fixed distribution charges as an option for the PURA. Increasing fixed distribution charges is the most regressive form of decoupling, causing relatively higher rate increases on those customers who use the least amount of energy.

V. Comments on Electricity Sector Strategy

The draft CES recommends an emphasis on reducing peak demand via deployment of smart meters and mandatory time-of-use (TOU) pricing (Recommendation 2).

AARP Comment—Recommendation 2 recommends mandatory TOU pricing for CL&P and promotion of time of using pricing for UI. AARP opposes mandatory, and/or opt-out time differentiated rates. We agree that utilities should be encouraged to offer a variety of rate options, after those options have been evaluated and determined to be cost effective and beneficial to customers with a wide range of usage profiles. Then it is the customer’s decision whether a time-varying rate is preferable. Utilities should not be allowed to justify the cost of installing smart meters on the assumption that mandatory time-based pricing, such as TOU or Critical Peak Pricing (CPP) will result in future savings in generation costs. Any alternative to the current rate structure should be voluntarily selected by the residential customer.

There can be no denying that time-based rates will produce “winners” and “losers.” However, the draft CES does not provide assumptions and analyses of the costs and benefits underlying any of the demand initiatives proposed under Recommendation 2. There is no analysis of the experience with mandatory TOU rates in other jurisdictions and/or an analysis of the costs and benefits of mandatory TOU versus voluntary TOU. Those who argue that mandatory time-based rates are beneficial for most customers rely on a small number of short term pilot programs composed of volunteers. Customers who have already invested in energy efficiency, who already use minimal amounts of energy and those who rely on affordable electricity for health and safety will be losers under a mandatory TOU scheme. Further, they are for the most part not the customers who can make a difference in peak load through reductions in usage.

This is why major national consumer advocacy organizations including AARP, the National Association of State Utility Consumer Advocates (NASUCA), and the National Consumer Law Center (NCLC) have adopted policies that oppose mandatory or opt-out dynamic pricing.

An alternative to the mandatory “stick” approach of TOU rates would be to provide a “carrot” in the form of rebates or credits for allowing the utility to control key heating and cooling systems during critical peak periods. This is usually referred to as a “Peak Time Rebate”. Those most able to shift usage will do so voluntarily, while those who need affordable energy to maintain safe temperatures, run medical equipment and other essential needs will not be penalized. A voluntary approach which rewards positive action (rather than punishing) is more likely to build public support and acceptance.

Decoupling is also recommended in the Electric Sector Strategy. AARP incorporates by reference our comments on decoupling from the previous section.

VI. Comments on Natural Gas Sector Strategy

The draft CES is recommending a major initiative to increase the number of customers using natural gas. This will require policies to encourage prospective customers who are located near existing distribution mains

(referred to as Segment A customers) to convert to natural gas. The draft CES also recommends policies to encourage the distribution utilities to make major investments to extend their distribution mains to areas which do not currently have easy access to natural gas service (Recommendations 1 to 12, pages 140-145).

AARP comments--The draft CES is recommending this major initiative based primarily on an US Energy Information Administration projection that natural gas prices to customers will be about 60% less than heating oil prices for the next 15 to 20 years (Figure 4, page 119). Many participants in the workshops questioned the validity of that projection. DEEP has not done a rigorous review of the policies gas utilities in other comparable states and provinces have used to make dramatic expansions of their systems. DEEP has not prepared any analyses of the potential impacts of these policies on rates of existing natural gas customers. Sellers of competing fuels, i.e., propane and heating oil, view the draft CES recommendations as the state favoring natural gas over other fuels.

AARP recommends that the final CES limit its recommendations to the creation of a gas expansion planning process to examine the policy options in detail, including analyses of experience in other jurisdictions and impacts on rates of existing natural gas customers.

VII. Comments on the Transportation Sector Strategy

The draft CES makes a series of recommendations related to transportation fuels.

AARP comment—The final CES should state that utility customers should not subsidize transportation sector policies, including the funding of charging and fueling stations.

VIII. Conclusion

AARP commends DEEP for initiating this comprehensive review of policies and practices that are affecting energy use in Connecticut, and the costs and environmental impacts associated with that energy use. The draft CES makes approximately 50 recommendations. Whether these recommendations will have a positive, or a negative, implication will depend on the substantive details of their implementation. AARP looks forward to the opportunity of providing detailed comments on specific recommendations when they are presented for consideration in future appropriate forums.

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Testimony of AARP in opposition to section 19 OF SB843
Presented by Barbara R. Alexander, Consumer Affairs Consultant
Finance Revenue and Bonding Committee
March 4, 2013

My name is Barbara R. Alexander. I am a consultant to AARP and have appeared for AARP and other state and national consumer advocates on restructuring policies that impact residential customers in many States. AARP is a membership organization that helps people 50+ live their best life. AARP is a nonprofit, nonpartisan social mission organization with nearly 600,000 Connecticut members. AARP's mission includes support for affordable utilities. I appreciate the opportunity to testify today.

Stable and affordable electric rates and service are essential for older and low-income people's health and wellbeing. People living on low or fixed incomes are particularly vulnerable to high utility costs and are often forced to reduce expenditures on other basic needs, including food and medicine, or to reduce their levels of heating and cooling beyond safe levels if they cannot afford their utility bills. Older people are less able to maintain their internal body temperature and disproportionately suffer from certain medical conditions that make them especially sensitive to temperature extremes, such as diabetes, lung disease, and heart disease. High or unpredictable utility costs also threaten the ability of older people to continue to live independently, forcing some into nursing homes prematurely or even into homelessness.

AARP opposes the proposal to allow the state to auction Standard Offer customers to the highest bidder. Section 19 of SB 843 should be eliminated from the bill. There is no means by which this radical proposal can be fixed or altered to assure benefits to residential customers. This proposal is a thinly veiled effort to stimulate retail competition, but the bill will have the diametrically opposite impact and harm residential customers. The State of Connecticut should not seek to raise revenues by selling off residential customers to alternative energy suppliers against their will.

- The auction takes away choice from customers, by forcibly switching them to a service they did not select.
- The auction will disadvantage consumers in the electric market because they will no longer have the Standard Offer benchmark to use when comparing competing offers.
- Customers are likely to pay higher prices compared to the Standard Offer under this plan and many key details are not addressed or ignored.
- This initiative would constitute a radical move that no other state has adopted for retail electric competition. Contrary to the Comprehensive Energy Strategy (CES), —NO other state has adopted a similar auction for residential electric customers.

The proposed auction represents the antithesis of choice. Customers would be given to alternative electric suppliers without any indication of affirmative agreement to this proposal. Customers would have no choice.

Connecticut's residential customers know how to choose and many have chosen. In the Connecticut Light & Power service territory, over 40% of the residential customers have chosen a third party supplier. But, that means that over 50% rely on CL&P's standard service.

Customers who have not selected a third party supplier have also made a choice to remain with the Standard Offer. The bill would eliminate that choice. Customers can choose not to choose. Customers can experiment with a competitive provider and then move back to the Standard Offer. These are choices that customers should have and the Legislature should not eliminate these choices. Consumers who remain on default service may be shoppers who did not find an offer attractive enough to entice them away from default service. Or they may be consumers who are too timid to dip their toes into the competitive waters. Or they may be consumers who are more concerned about the volatility and lack of stability in the pricing options available and make an affirmative decision to stay with default service.

The type of auction proposed in the Governor's budget has been considered, and rejected, by other states. A comment by Robert Powelson, Chairman of the Pennsylvania Public Utility Commission sums up the reason why: "[T]o the extent customers do not make an affirmative choice for themselves, the government should not make that choice for them." (Statement in Docket No. I-2011-2237952, Public Meeting September 12, 2012)

This Proposal Harms Consumers

AARP supports the obligation of the electric distribution utilities to provide a Standard Offer to its residential and small commercial customers who are not served by a third party supplier. AARP has been a leading proponent of ensuring consumers have access to stable and reasonably priced Standard Offer service. AARP worked for passage of the statutory reforms adopted in Public Act 11-80, requiring procurement of Standard Offer through a plan that specifically relies on competitive wholesale market contracts "that will enable each electric distribution company to manage a portfolio of contracts to reduce the average cost of standard service while maintaining standard service cost volatility within reasonable levels."¹ As a result, Connecticut law requires that Standard Offer will be procured pursuant to a plan that is designed to assure a reasonable level of price stability and that it is managed for the benefit of those customers who choose to receive this service. This proposed legislation would completely eviscerate those policies and protections for customers and turn Standard Offer Service into a program to benefit retail marketers.

AARP supports stable and reasonably priced Standard Offer only because it is the right policy but because that is what a vast majority of older Connecticut residents want as well. Most Connecticut residents age 50+ think it is important to have a standard offer plan that is priced at the lowest reasonable price. Two-thirds of respondents say it is extremely or very important for customers to have a standard Offer to use as a price point when comparing plans from alternative suppliers. Additionally, 82 percent support the requirement that Connecticut distribution utilities continue to provide this standard Offer to customers. A copy of the survey is attached.

It is incorrect to say that Standard Offer is not market-based. Under Standard Offer the distribution utilities pass through the costs of competitively acquired wholesale market contracts. Retail suppliers also procure their power in the competitive wholesale market. Suppliers can offer variable rate contracts, fixed rate contracts,

¹ Sec. 92, Public Act No. 11-80, effective July 1, 2011.

renewable energy, and bundle efficiency and other services with their electric contracts. The auctioning of customers, particularly if an early termination fee is charged, should be expected to limit their interest in considering alternative offers.

Consumer Likely to Pay Higher Prices; Key Details are Unknown

While the language in this proposed legislation appears to provide a benefit to customers auctioned off to third party suppliers, the required 5% reduction in generation supply price is only in effect on the day of the auction and the supplier would be free to raise prices, put the customer on a variable rate that changes every month, or change any of its contract terms on a negative option basis. In other words, once the winning supplier gets the customer, the supplier can keep the customer unless the customer understands the terms and conditions, reads the fine print carefully, and affirmatively leaves the supplier. Under this bill, the only practical option would be for the customer to choose another retail supplier. Standard Offer as currently in Connecticut law would be eliminated.

There are reasonable grounds to conclude the customers will end up paying higher prices compared to a managed portfolio for Standard Offer. Although proponents may suggest that by forcing customers to be served by retail suppliers customers will save and see benefits, that suggestion runs contrary to the current reality of the marketplace in Connecticut or in other states.

Even a casual look at the supplier offers to residential customers of Connecticut Light and Power as shown on the Department's website confirms this concern. Of the 57 supplier offers listed, only 11 show that a customer using 750 kWh would see any savings at all on a fixed price contract comparable to the standard service plan. Other offers that appear to give consumers savings are "promotional" in nature and only provide a lower price for 1-2 months, then rates would vary. The vast majority of these offers are higher than the current Standard Plan price.

This finding is not unique to Connecticut:

- The Citizens Utility Board in Illinois has tracked actual natural gas supplier offers to residential customers over the term of the specific plans and compared those results to default natural gas supply service provided by Illinois natural gas utilities. Based on an analysis of how natural gas supplier plans have actually impacted customer bills since 2003, 94% of the supplier plans have resulted in higher prices for residential customers compared to default service. The average customer loss is \$1,202.00.² This trend has been evident for many years and for almost all suppliers.
- In New York, the Public Utility Law Center obtained data from Niagara Mohawk (a National Grid affiliate in upstate New York) that documented that between August 2010 and July 2012, 84 % of the electric bills and 92 % of the gas bills of those who switched to alternative suppliers were higher than the bills of those who decided to keep getting their supply from National Grid. And those statistics translated into huge disparities in consumer bills. For instance, the data showed that over that 24-month period, those with higher bills paid nearly \$500 more for electricity and \$260 for natural gas.³

² See CUB's Gas Market Monitor, available at: <http://www.citizensutilityboard.org/GasMarketMonitor.php>

³ Direct Testimony of William Yates on behalf of the Public Utility Law Project of New York, Inc., before the New York Public Service Commission, Proceeding for Niagara Mohawk Power Co. for natural gas and electric rates, Case No. 12-G-0202 and Case No. 12-E-0201 (August 31, 2012).

- A similar study of PPL Electric in Pennsylvania low income customers served by electric suppliers in Pennsylvania resulted in the same unfortunate finding—over 70% were paying more than the PPL Electric default service price at the time of the evaluation.⁴
- In Ohio, data submitted by the Ohio Partners for Affordable Energy (OPAE) in two recent natural gas dockets clearly demonstrates that the bulk of competitive natural gas supplier offers are higher in price than standard service and standard choice offers. See: *In the Matter of the Joint Motion to Modify the June 18, 2008 Opinion and Order in Case No. 07-1224-GA-EXM*, Case No. 12-1842-GA-EXM, OPAE Exhibit 1, Direct Testimony of Stacia Harper (October 4, 2012) at 14 and Exhibit SH-3; *In the Matter of the Joint Motion to Modify the December 2, 2009 Opinion and Order and the September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM*, Case No. 12-2637-GA-EXM, OPAE Exhibit 2A at SH-3, Direct Testimony of Stacia Harper (November 30, 2012). Data provided by Columbia Gas of Ohio makes clear that customers purchasing commodity natural gas from unregulated suppliers have paid over \$861 million since the advent of CHOICE.⁵ In the most recent six months for which data is available, customers served by marketers have paid \$37 million more, and that figure does not include any winter heating months.⁶

The proposal itself is silent on key details that could increase costs to consumers. These missing details around consumer protections and implementation include:

- Would or could customers be charged a fee if they choose to leave the supplier who “won” them in the auction, and if so, how much? The budget language is silent on this essential question. While supporters claim that a customer can choose to return to the Standard Plan or another service after the switch, there is no assurance that this so-called right won’t come at a high cost. It is reasonable to expect that a supplier who bids to service a group of 100,000 customers would expect to charge a fee to any customers who switch away during the first year. In fact, it is typical for many retail supplier offers to include an early termination fee if the customer cancels prior to the end of the contract term.
- What will happen to customer prices after the small discount that must be given at the time of the auction? Under this bill, suppliers will have complete discretion to change prices, establish monthly variable prices, and change other contract terms without the customer’s affirmative consent.
- How will the Standard Offer service be structured going forward? The language in the budget proposal suggests that the state will continuously auction off blocks of customers who happen to be on the Standard Offer for whatever reason. The result of such a strategy is that the Standard Offer that reflects an obligation to provide an essential service with some attempt at price stability will be eliminated.
- Finally, the projected additional revenues contained in this bill of \$80 million are highly questionable as well as bad public policy. There is no minimum bid established in the proposed auction process in this bill. Therefore, the actual revenue to the state could be far less than \$80 million.

No Other State has adopted a the same type of auction for essential electric service

⁴ Direct Testimony of Stephen Krone, on behalf of Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, before the Pennsylvania Public Utility Commission, Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the period of June 1, 2013 through May 31, 2015, Docket No. P-2012-2302074 (July 20, 2012). According to the information provided by PPL in discovery, more than 73% of its low income customers enrolled in PPL’s low income benefit program who were currently being served by an Electric Supplier were being charged a higher price than PPL’s price to compare.

⁵ Public Utility Commission of Ohio, Case No. 12-2637-GA-EXM, OPAE Ex. 2A at Exhibit SH-7.

⁶ Id.

This proposal appears to be based at least in part on the Comprehensive Energy Strategy. However, the CES statements about this type of approach are just plain wrong; the proposed auction is nothing like any program or policy affecting residential customers in Chicago, Pennsylvania or Ohio.

Chicago: Under the municipal aggregation law adopted by the State of Illinois, Chicago recently became one of hundreds of Illinois cities to choose aggregation for the provision of electric service. Municipal aggregation is very different from this type of auction. First, a referendum must be held in which voters approve the move to aggregation, as Chicago voters did on November 6. Connecticut voters will not get the same opportunity. Second, even after the aggregation is approved, individual customers are allowed to opt-out of the aggregation before their service is changed, not after, as is the proposal in Connecticut. After customers choose whether to participate, the city negotiates a bulk purchase of electricity, seeking savings for its residents. Customers are not charged a fee if they decide to leave the aggregated group.

Pennsylvania: Pennsylvania does not auction customers to retail marketers for electric service without their affirmative consent. The Pennsylvania Public Utility Commission recently approved a pilot program called a retail opt-in auction for distribution utilities that will be implemented later in 2013 and 2014. Under this plan, residential customers will be offered the option to voluntarily sign up for this aggregation program. The utility will then conduct a competitive process to select one or more suppliers to serve that group of customers. Under these plans, the customer gets the bonus from the supplier for signing up.

Ohio: It is correct that the Ohio PUC has approved proposals by several natural gas utilities to conduct an auction to allow retail natural gas suppliers to replace the Standard Service Offer previously provided by the utilities. However, the natural gas standard offer provided by Ohio utilities consisted of a pass through of a wholesale market natural gas price with an adder to reflect other incremental costs incurred to transport the natural gas supply. The resulting policy adopted by the Ohio PUC is that the distribution utility will conduct an auction to use the same pricing methodology in seeking retail supplier bids to provide this service for a one-year period. The auction establishes a fixed “adder” to the published wholesale market price index by the winning retail suppliers. This program has only just been implemented and several public organizations, including the Ohio Office of Consumer Counsel and other consumer advocates in Ohio have filed appeals of the Commission’s orders that are pending in court. This program has not been implemented for electric service; managed portfolios of wholesale market contracts are relied upon for standard offer service in Ohio. Furthermore, the “regulated” nature of the pricing mechanism required for the natural gas service in these decisions by the Ohio PUC are a far cry from the completely “hands off” approach reflected in this budget proposal.

In none of these examples has the City of Chicago, the Commonwealth of Pennsylvania, or the State of Ohio attempted to raise revenues for the state budget by selling electricity customers to the highest bidder.

Conclusion

The retail auction provision of the Governor’s proposed budget should be rejected. There is no basis upon which this radical proposal can be fixed or altered to assure benefits to residential customers. This proposal is a thinly veiled effort to stimulate retail competition, but the bill will have the diametrically opposite impact and harm residential customers. The State of Connecticut should not seek to raise revenues by selling off residential customers to alternative energy suppliers against their will.

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